

**S.E.C. RULE 15c2-12
ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 1998**

The State of California (the "State"), acting by and through the State Treasurer's Office of the State of California, hereby provides its annual report for the fiscal year ended June 30, 1998 in connection with the following:

Bond Issue

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
State of California Department of Transportation to the East Bay State Building Authority – Refunding Certificate of Participation Series 1997A	10/1/97	10/1/97

The base CUSIP number for the bond listed above is 130656 - _ _ _.

Note: The base CUSIP number provided is for the convenience of Bondholders. The State Treasurer's Office is not responsible for the accuracy or completeness of such numbers.

Annual Report

The State's "annual report" (as defined in the Continuing Disclosure Agreement for the Bonds) for the fiscal year ended June 30, 1998 consists of:

1. Financial information (including the audited General Purpose Financial Statements for the State) contained in Appendix A of the Official Statement, dated February 23, 1999, with respect to \$500,000,000 of State of California General Obligation Bonds (\$413,460,000 General Obligation Bonds and \$86,540,000 General Obligation Refunding Bonds) (the "February 23, 1999 Official Statement"), which information is incorporated herein by reference. A copy of the February 23, 1999 Official Statement has previously been filed with each of the Nationally Recognized Municipal Securities Information Repositories and is available from any of them.
2. Information concerning Caltrans' primary programs and budget sources and the financial condition of the State Highway Account. This information is provided in the tables in Exhibit 1 attached hereto.
3. The insurance required by Section 7 of the Facility Lease relating to the Bonds is in effect.

Other Matters

This annual report is provided solely for purposes of the Continuing Disclosure Agreement. The filing of this report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the State of California (the "State"), the Department of Transportation (the "Department") or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this report), or that no other information exists, which may have a bearing on the State's or the Department's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the State or the Department.

Dated: March 15, 1999

State of California

By Barbara Lloyd
 Deputy State Treasurer

Exhibit 1

DEPARTMENT OF TRANSPORTATION
PRIMARY PROGRAMS AND BUDGET SOURCES
(In Thousands)

Programs:	1998-99
Aeronautics	\$ 12,953
Highway Transportation	5,627,657
Mass Transportation	416,920
Transportation Planning	65,934
Administration	232,138
Equipment Service Center	144,269
Distributed Equipment Service Center	(144,269)
TOTAL	<u>\$ 6,355,602</u>
Sources of Funds:	
General Fund	\$ 23,817
Aeronautics Account, State Transportation Fund	9,778
State Highway Account, State Transportation Fund	2,293,819
Bicycle Transportation Account, State Transportation Fund	1,010
Public Transportation Account, State Transportation Fund	151,465
Local Airport Loan Account	2,850
Environmental Enhancement and Mitigation Demonstration Program Fund	10,000
Toll Bridge Seismic Retrofit Account	110,611
Seismic Retrofit Bond Act of 1996	201,691
Ridesharing Vanpool Revolving Loan	-
Passenger Rail Bond fund of 1990	-
Petroleum Violation Escrow Account (PVEA)	-
Federal Trust Fund	2,665,669
Consolidated Toll Bridge Funds	11,210
Reimbursements	873,682
TOTAL	<u>\$ 6,355,602</u>

Source: Department of Transportation.

Exhibit 1
-continued-

DEPARTMENT OF TRANSPORTATION (2660)
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT (042)
STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 1998

ASSETS			
CASH:			
	In State Treasury	\$	449
	In Agency Accounts		(243,476)
			<u>(243,027)</u>
DEPOSITS IN SURPLUS MONEY INVESTMENT FUND:			1,431,708,000
RECEIVABLES:			
	Reimbursements		675,471,680
	Revenue		19,291,675
	Others		2,905,776
	Due from Other Funds/Federal Govt.		258,003,483
	Provision for Deferred Receivables		(26,760,887)
			<u>928,911,727</u>
PREPAID EXPENSES:			
	Prepayments to Other Funds		1,035,252,590
	Expense Advance		1,444,793
	Other Prepaid Expenses		1,575,026
	Inventories		32,021,652
			<u>1,070,294,061</u>
LOANS:			
	Loans Receivable - Other		6,210
			<u>6,210</u>
	Total Current Assets		<u>3,430,676,971</u>
Total Assets:			<u>\$ 3,430,676,971</u>
LIABILITIES, RESERVES AND FUND BALANCE			
CURRENT LIABILITIES:			
	Accounts Payable	\$	1,658,043,725
	Due to Other funds/Appropriations		253,215,604
	Revenue Collected in Advance		1,651,327
	Reimbursements Collected in Advance		9,731,645
	Deposits		3,431,291
	Project Deposits		112,000
			<u>1,926,185,592</u>
RESERVES:			
	Reserve for Advances		85,252,590
	Reserves - Other		32,027,863
			<u>117,280,453</u>
FUND BALANCE - Unappropriated:			<u>1,387,210,926</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE:			<u>\$ 3,430,676,971</u>

Exhibit 1
-continued-

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DEPARTMENT OF TRANSPORTATION (2660)
COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT (0042)
Fiscal Year Ended June 30, 1998

FUND BALANCE, JUNE 30, 1997		\$ 1,164,450,711
REVENUES:		
MOTOR VEHICLES REGISTRATION (WEIGHT FEES)	655,170,585	
OTHER REGULATORY LICENSES AND PERMITS	7,374,463	
SALE OF DOCUMENTS	1,030,114	
MISCELLANEOUS SERVICES TO THE PUBLIC	0	
INCOME FROM SURPLUS MONEY INVESTMENTS	79,795,621	
INCOME FROM CONDEMNATION DEPOSIT FUND INVESTMENTS	2,737,389	
RENTALS OF STATE PROPERTY	24,402,975	
MISCELLANEOUS REVENUE FROM USE OF PROPERTY & MONEY	19,310,897	
OTHER	1,331,292	
	<u>791,153,336</u>	
REFUNDS TO REVERTED APPROPRIATION	<u>0</u>	
OPERATING TRANSFERS IN:		
HIGHWAY USERS TAX ACCOUNT, TRANSPORTATION TAX FUND (GASOLINE AND DIESEL FUEL TAX)	1,762,367,853	
DMV - COUNTY ROADS & CITY STREETS 9500-001-042	10,000,000	
DEPARTMENT OF MOTOR VEHICLES	821,301	
NORTHRIDGE ETHQK-SEISMIC	6,944,366	
	<u>1,780,133,520</u>	<u>2,571,286,856</u>
OPERATING TRANSFER OUT:		
CALIFORNIA HIGHWAY PATROL	43,238,607	
MOTOR VEHICLE ACCOUNT	64,300,611	
PUBLIC TRANSPORTATION ACCOUNT	25,811,000	
ENVIRONMENTAL ENHANCEMENT AND MITIGATION DEMONSTRATION ACCOUNT	5,828,000	
	<u>139,178,218</u>	
EXPENDITURES:		
STATE OPERATIONS:		
CALIFORNIA TRANSPORTATION COMMISSION	132,239	
DEPARTMENT OF TRANSPORTATION	1,508,118,653	
DEPARTMENT OF CONSERVATION	11,944	
PUBLIC UTILITIES COMMISSION	2,334,304	
LEGISLATIVE CLAIMS, CLAIMS OF THE SECRETARY OF STATE, BOARD OF CONTROL	295,397	
CASH MANAGEMENT INFORMATION ACT	253,671	
OTHER TRANSFERS (FRANCHISE TAX BOARD, ADMINISTRATION)	1,870	
LOCAL ASSISTANCE:		
DEPARTMENT OF TRANSPORTATION		
SHARED REVENUES - RENTAL INCOME PAYMENTS TO COUNTIES	354,257,998	
CAPITAL OUTLAY:		
DEPARTMENT OF TRANSPORTATION	393,787,596	
	<u>2,259,193,672</u>	<u>2,398,371,890</u>
ADJUSTMENTS TO PRIOR YEAR APPROPRIATIONS (SUBTRACTION)		(49,845,250)
FUND BALANCE AS OF JUNE 30, 1998		\$ <u><u>1,387,210,927</u></u>

Exhibit 1
-continued-

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DEPARTMENT OF TRANSPORTATION (2660)
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
STATE HIGHWAY ACCOUNT FUND (0042)
FISCAL YEAR ENDED JUNE 30, 1998

UCM Description	Balance 07-01-97	Additions	Deductions	Balance 06-30-98
Land	\$110,832,091.56	\$ 3,997,199.75	\$0.00	\$114,829,291.31
Buildings	\$282,422,121.06	\$ 7,982,623.75	\$0.00	\$290,404,744.81
Equipment	\$504,707,658.15 -----	\$409,213,968.75-* -----	\$0.00 -----	\$ 95,493,689.40 -----
Total	\$897,961,870.77	\$397,234,145.25-	\$0.00	\$500,727,725.52

*The balance from Construction and Automotive Equipment Subsidiary 00791001 was transferred to the Equipment Service Fund 608 as of June 30, 1997.